

MEMORANDUM

February 24, 2004

TO: THE LOS ANGELES COUNTY CLAIMS BOARD

FROM: RUBEN BAEZA, JR.
Senior Deputy County Counsel
General Litigation Division

RE: Claim of Henry Mayo Newhall Memorial Hospital
Claim No. 03-1000760*001

DATE OF
INCIDENT: September 22, 2002 to December 2, 2002

AUTHORITY
REQUESTED: \$143,472.82

COUNTY
DEPARTMENT: Sheriff's Department

CLAIMS BOARD ACTION:

☐

Approve

☐

Disapprove

☐

Recommend to Board of
Supervisors for Approval

_____, Chief Administrative Office
ROCKY A. ARMFIELD

_____, County Counsel
LLOYD W. PELLMAN

_____, Auditor-Controller
MARIA M. OMS

on _____, 2004

SUMMARY

This is a recommendation to settle for \$143,472.82, a claim brought by Henry Mayo Newhall Memorial Hospital (Henry Mayo) for the recovery of unpaid medical bills arising from emergency medical treatment provided to inmates confined at County jail facilities or persons arrested by the Sheriff's Department. The claim is for the period from September 22, 2002, up to and including December 2, 2002.

LEGAL PRINCIPLES

When an inmate in a Los Angeles County jail facility requires medical treatment, the County of Los Angeles is responsible for payment of costs and expenses incurred for that treatment. The County of Los Angeles is also responsible for the costs of medical treatment provided to a person who is arrested, and taken directly to a medical care facility before being transported to County jail.

SUMMARY OF FACTS

Henry Mayo is a hospital located in the Santa Clarita Valley that has been utilized by the Sheriff's Department since 1990, to provide emergency or specialized medical treatment to inmates confined at the Department's Pitchess Detention Center (PDC) facility, or persons arrested by the Sheriff's Department, who are in need of emergency medical care. Henry Mayo has been utilized by the Sheriff's Department because it is the nearest emergency hospital and trauma center to PDC.

From 1990 to 1999, there were a series of three-year contracts between the Sheriff's Department and Henry Mayo that established the rate to be paid for the costs of providing medical care to jail inmates or arrested persons. Under the last three-year contract, which expired on June 30, 1999, the Sheriff's Department paid Henry Mayo 44 percent of the gross medical costs for required treatment.

From July 1, 1999, through December 2, 2002, there was no contract between the Sheriff's Department and Henry Mayo, although the Department continued to utilize Henry Mayo for the provision of medical services. The Sheriff's Department did not pay Henry Mayo for medical bills incurred after July 1, 1999. The gross amount of the unpaid medical bills was approximately \$4,078,000.

Henry Mayo agreed to enter into a new contract with the Sheriff's Department, at a reimbursement rate of 40 percent of the gross medical charges, for future medical care provided to inmates or arrested persons. That contract became effective December 3, 2002.

The County previously settled a claim made by Henry Mayo for \$1,631,310, which was for medical services provided from 1999 to September 21, 2002. Concurrent with the first settlement, the County and Henry Mayo entered into a new contract for medical services, with an effective date of December 3, 2002. The County and Henry Mayo contemplated there would be a "gap" period between the time the initial settlement was completed and the time the contract became effective, during which Henry Mayo would provide medical services to inmates and arrestees.

Henry Mayo's claims for medical treatment services rendered between 1999 and September 21, 2002, were settled. This settlement with Henry Mayo encompasses all outstanding invoices incurred during the gap period from the time the first settlement concluded, through December 3, 2002, which was the date of the new contract entered into between the Sheriff's Department and Henry Mayo. The current settlement is to finalize all claims made by Henry Mayo for medical services it provided on behalf of the County during the gap period. Further, it is to resolve all remaining claims that Henry Mayo may have against the County that accrued before December 3, 2002.

DAMAGES

In its claim, Henry Mayo seeks the recovery of medical services provided to inmates and arrestees between September 22, 2002, and December 2, 2002, in the amount of \$143,472.82. This amount represents 40 percent of the actual charges of \$358,682.06, which were incurred by Henry Mayo.

STATUS OF CASE

This matter is in the claims stage, and the County has incurred legal expenses in the amount of \$10,773.04 in defending this matter.

EVALUATION

The County, in the absence of a written agreement, may be obligated to reimburse Henry Mayo for the reasonable value of the medical services provided by Henry Mayo to persons arrested, when the arrestee is taken directly to the hospital before being transported to County jail. The County may also be required to pay for the reasonable value of medical services provided to

inmates brought to the hospital by the Sheriff's Department. After the contract between Henry Mayo and the Sheriff's Department expired in 1999, the Sheriff's Department did not pay for the medical services invoices submitted by Henry Mayo. Since the County may be responsible for payment of these medical expenses, a court could conclude that the County is responsible for paying 100 percent of the gross medical charges, and render a judgment for Henry Mayo that could well exceed the proposed settlement amount.

We believe settlement of this matter in the amount of \$143,472.82, is in the best interest of the County. The Sheriff's Department concurs with this recommendation.

APPROVED:



GARY N. MILLER
Assistant County Counsel
General Litigation Division

RB/rb

Los Angeles County Sheriff's Department

CORRECTIVE ACTION PLAN

CLAIM OF: Henry Mayo Hospital

INCIDENT DATE: March 1999 through September 2002

INCIDENT LOCATION: 23845 W. McVean Parkway, Valencia, CA

RISK ISSUES: Under California law, when a person arrested by the Sheriff's Department or any other local police agency, is taken for medical treatment at a private hospital or medical facility, and then taken to County jail immediately following the medical treatment, the County of Los Angeles is responsible for paying the cost of the medical care or treatment provided to the arrestee. The County of Los Angeles is also responsible for the cost of medical care and treatment provided by a private hospital to inmates that are in the custody of the Sheriff's Department.

INVESTIGATIVE REVIEW: Since approximately 1990, to the present the Sheriff's Department has used Henry Mayo Hospital, (Henry Mayo), an emergency and trauma care facility in Valencia, for various health care services. The medical services provided by Henry Mayo were emergency medical treatment of persons who had been arrested and needed medical clearance before the individual could be booked into the County jail, or jail inmates who needed emergency or specialized medical care.

From 1990 to June 30, 1999, Henry Mayo was reimbursed for the medical services provided pursuant to the rate established in a series of three year contracts. The last contract expired on June 30, 1999, and under this contract Henry Mayo was reimbursed at the rate of 44% of the gross medical charges. At the expiration of the last contract another contract was prepared to set a rate for reimbursing Henry Mayo, but this contract was not executed. Since there was no contract between Henry Mayo and the Sheriff's Department for reimbursement from July 1, 1999, to the present, the Sheriff's Department did not pay for any of the medical services rendered by Henry Mayo after April 1, 1999.

TRAINING ISSUES: There are no training issues at this time.

POLICY ISSUES: A review by the Sheriff's Department has determined that no department policy or procedures were violated.

CORRECTIVE ACTION: The Sheriff's Department and Henry Mayo have agreed upon a contract which sets a reimbursement rate of 40% of gross medical charges for future medical care and treatment provided to jail inmates and arrested persons. Henry Mayo Hospital has also filed two claims to recover the unpaid medical services incurred since March 1999. The Sheriff's Department and Henry Mayo have agreed on an amount to settle the two claims.

HOA.146500.1

William T. Stonich
10-3-02

Los Angeles County Sheriff's Department

SUPPLEMENTAL CORRECTIVE ACTION PLAN

CLAIM OF: **Henry Mayo Newhall Memorial Hospital**

INCIDENT DATE: **September 22, 2002 to December 2, 2002**

INCIDENT LOCATION: **23845 West McBean Parkway, Valencia, California**

RISK ISSUES: When an inmate in a Los Angeles County jail facility requires medical treatment, the County of Los Angeles is responsible for payment of costs and expenses incurred for that treatment. The County of Los Angeles is also responsible for the costs of medical treatment provided to a person who is arrested, and taken directly to a medical care facility before being transported to County jail.

INVESTIGATIVE REVIEW: Henry Mayo is a hospital located in the Santa Clarita Valley that has been utilized by the Sheriff's Department since 1990, to provide emergency or specialized medical treatment to inmates confined at the Department's Pitchess Detention Center (PDC) facility, or persons arrested by the Sheriff's Department, who are in need of emergency medical care. Henry Mayo has been utilized by the Sheriff's Department because it is the nearest emergency hospital and trauma center to PDC.

From 1990 to 1999, there were a series of three-year contracts between the Sheriff's Department and Henry Mayo that established the rate to be paid for the costs of providing medical care to jail inmates or arrested persons. Under the contract, which expired on June 30, 1999, the Sheriff's Department paid Henry Mayo 44 percent of the gross medical costs for required treatment.

From July 1, 1999, through December 2, 2002, there was no contract between the Sheriff's Department and Henry Mayo, although during this period, the Department continued to utilize Henry Mayo for the provision of medical services. The Sheriff's Department did not pay Henry Mayo for medical bills incurred after July 1, 1999.

On June 18, 2002 and October 2, 2002, Henry Mayo filed claims against the County of Los Angeles for unpaid invoices for medical services provided at the behest of the Sheriff's Department seeking \$1,631,311.15, which represented 40 per cent of the gross billings incurred of \$4,078,277.88. Henry Mayo agreed to enter into a new contract with the Sheriff's Department, at a reimbursement rate of 40 percent of the gross medical charges, for future medical care provided to inmates or arrested persons. Henry Mayo also agreed to settle the claims for \$1,631,310.00. The Board of Supervisors approved the new contract and compromise of the claims on October 22, 2002, expressly contingent upon the United States Bankruptcy Court's approval. The Bankruptcy Court approved the new contract and compromise of the claims on

November 26, 2002. That contract became effective December 3, 2002 and will expire on December 3, 2007. The contract provides that the parties may mutually agree to extend the term of the contract for an additional two (2) twelve (12) month periods and thereafter be mutually extended on a month to month basis for an additional six (6) months to facilitate negotiations of a new contract.

The County and Henry Mayo contemplated there would be a "gap" period between the time the initial settlement was completed and the time the contract became effective, during which Henry Mayo would provide medical services to inmates and arrestees. When the Board of Supervisors was briefed on the settlement of the initial claim and the negotiation of the new contract with Henry Mayo, it was apprised that a claim would be forthcoming for services rendered during the gap period.

On February 27, 2003, Henry Mayo filed its third claim seeking reimbursement for the medical services it provided at the behest of the Sheriff's Department during this gap period in the amount of \$143,472.82. This amount represents 40 percent of the actual charges of \$358,682.06, which were incurred by Henry Mayo. The Sheriff's Department has thoroughly reviewed these claims and believes the charges are appropriate.

This settlement with Henry Mayo encompasses all outstanding invoices incurred during the gap period from the time the first settlement concluded, through December 3, 2002, which was the date of the new contract entered into between the Sheriff's Department and Henry Mayo. The current settlement is to finalize all claims made by Henry Mayo for medical services it provided on behalf of the County during the gap period. Further, it is to resolve all remaining claims that Henry Mayo may have against the County that accrued before December 3, 2002.

TRAINING ISSUES: Sheriff's Department employees are given training for contract monitoring. A system was established in October 2002 through the development of the Contract Management Information System (CMIS). This is a Windows based data application, which was custom designed to capture information relative to the Los Angeles County Sheriff's Department internal contracting process.

CMIS was implemented in October 2002. In essence it was established to track and monitor the status (i.e., development stages, Board adoption, terms, change notices, amendments, insurance, etc.) of all Sundry Service contracts maintained by this Department. This tracking system was developed following an audit as ordered by the Board of Supervisors and monitored through a Quarterly Review by the Auditor-Controller's Office. The primary intent for CMIS was to assist with identifying the term of the contract to ensure that sufficient time is available to renew, re-bid, or allow the contract to expire and to ensure that a retroactive contract situation does not occur.

CMIS is a central information sharing system which captures all of the basic information regarding the contract development process, as well as, specific information related to the established contracts (i.e., contract deadlines, fiscal/expenditure information, contractor information, and insurance records).

CMIS allows the user to access the contract language and capture such details as those relating to contract term, options, contract signature authority, amendments, and change notices, targeted solicitation dates, expenditures and more. Further, it provides managers with rapid access to basic information without the need to hand search contract documentation. Thus, the Sheriff's Department will always have a contract in place for medical services.

The Department also uses the Account Threshold Manager (ATM) system. This system monitors the total dollars expended to-date, per individual contract. The premise of this system is to "flag" accounting staff of the rate of expenditures in relation to the term of the contract. If the rate of expenditure and available balance appears to exceed the dollar limitations of the contract, notice is provided to the Contract Analyst to verify if an amendment or additional funding may be required before the expiration of the contract.

POLICY ISSUES: A review by the Sheriff's Department has determined that no Department policy or procedures were violated.

CORRECTIVE ACTION: The Sheriff's Department and Henry Mayo Newhall Memorial Hospital entered into a new contract, effective December 3, 2002, which sets a reimbursement rate of Forty per cent (40%) of gross medical charges for medical care and treatment provided to persons in need of medical treatment upon their arrest and for jail inmates. That contract will expire on December 3, 2007. The contract provides that the parties may mutually agree to extend the term of the contract for an additional two (2) twelve (12) month periods and thereafter be mutually extended on a month-to-month basis for an additional six (6) months to facilitate negotiations of a new contract.

The Sheriff's Department and Henry Mayo Newhall Memorial Hospital agreed to settle all claims not covered by contract.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT

by: William T. Stonich
WILLIAM T. STONICH
UNDERSHERIFF